



# NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY  
WESTERN DISTRICT OF MISSOURI

**TODD P. GRAVES**

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**JANUARY 25, 2005**  
**FOR IMMEDIATE RELEASE**

*Note: Audio comments from U.S. Todd Graves (in MP3 format) and a photo of today's news conference will be available to download from the district's Web site at [www.usdoj.gov/usao/mow](http://www.usdoj.gov/usao/mow)*

## **TWO NEW YORK MEN INDICTED IN \$9 MILLION CASSTEL MAIL, WIRE FRAUD CONSPIRACY**

**KANSAS CITY, Mo.** – Todd P. Graves, United States Attorney for the Western District of Missouri, announced that two New York men, controlling owners of the holding company that owns Cass County Telephone Company, were indicted by a federal grand jury today for participating in a nearly \$9 million conspiracy to commit mail and wire fraud.

**Richard T. Martino**, 45, of Tuckahoe, New York, and **Daniel D. Martino**, 54, of Hawthorne, New York, were charged in an 11-count indictment returned by a federal grand jury in Kansas City.

Count One of the federal indictment alleges that the **Martinos** participated in a conspiracy from January 1998 to July 2004 to defraud the Universal Service Administrative Company (USAC), which disperses federal subsidies to rural telephone companies, and the National Exchange Carriers Association (NECA), which handles tariff filings and revenue distribution among carriers. The **Martinos**, along with Kenneth M. Matzdorff, 48, of Belton, Mo., allegedly inflated expenses of the Cass County Telephone Company, LP (known as CassTel) in order to qualify for \$8.9 million in unwarranted subsidies and disbursements. Matzdorff pleaded guilty on Jan. 19, 2005, in a separate but related case with conspiracy to commit mail and wire fraud.

**Richard Martino** is the controlling authority of Local Exchange Company, LLC, a Maryland holding company that owns CassTel. CassTel is a Peculiar, Mo., telephone company that provides services to approximately 8,000 customers in Cass County, Mo., as well as a small number of customers in the state of Kansas. **Richard Martino** also controls Overland Data

Center, an Overland Park, Kan., company that provides software support and information technology, and F.S.E. Consulting Corporation in New York. **Daniel Martino** is also an owner of Local Exchange Company and the president of F.S.E. Consulting.

According to today's indictment, the **Martinos** met with Matzdorff, president of CassTel, and other Local Exchange Company shareholders in January 1998 to review the 1998 budget for CassTel. At that meeting, they allegedly agreed to inflate the expenses of CassTel in order to generate additional capital to expand the assets and services of CassTel. The additional capital, the indictment says, would be received from the increased payments from the Universal Service Fund and NECA, based upon fictitious expenses reported by CassTel.

The **Martinos** and Matzdorff allegedly created false invoices in which Overland Data Center billed CassTel for approximately \$11 million for software support and information technology support. The total value of actual services performed by Overland, however, is estimated at \$240,000.

Those fictitious expenses, the indictment alleges, were included by CassTel as allowable expenses in cost studies filed with NECA, which collects money from individual telephone companies for access and use of other companies' systems then distributes the funds back to those companies based upon their costs. The false expenses submitted by CassTel resulted in an overpayment by NECA to CassTel of approximately \$5.4 million from 1998 to 2003.

Those fictitious expenses were also included by CassTel as allowable expenses for calculating Universal Service Fund payments to CassTel. The Universal Service Fund was established by the Federal Communications Commission to subsidize high-cost rural telephone systems. Those subsidies are disbursed by USAC to NECA to be paid out to the rural telephone companies. The false expenses submitted by CassTel resulted in an overpayment by USAC to CassTel of approximately \$3.5 million from 1999 to 2004.

Counts Two through Five of the federal indictment allege that, between July 31, 2001, and Oct. 28, 2003, the **Martinos** and others committed four separate incidents of mail fraud relating to the false and fraudulent submissions to the National Exchange Carriers Association and the Universal Service Administrative Company.

Counts Six through Ten of the federal indictment allege that, between Feb. 29, 2000, and April 30, 2003, the **Martinos** and others committed five separate acts of wire fraud relating to the wire transfer of funds from NECA to CassTel bank accounts based upon the fraudulent submissions.

Count Eleven of the federal indictment is a forfeiture count, which would require the **Martinos** to forfeit to the government \$8.9 million for which they are jointly and severally liable, as well as all shares of Local Exchange Company that constitute or are derived from the proceeds traceable to the alleged conspiracy.

Graves cautioned that the charges contained in the indictment are simply accusations, and not evidence of guilt. Evidence supporting the charges must be presented to a federal trial jury, whose duty is to determine guilt or innocence.

This case is being prosecuted by Assistant U.S. Attorneys Paul S. Becker, Bruce E. Clark and Jess E. Michaelson. It was investigated by the Federal Bureau of Investigation.

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This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at  
[www.usdoj.gov/usao/mow](http://www.usdoj.gov/usao/mow)